Unaudited interim condensed consolidated financial statements of

LeoNovus Inc.
(Amended)

Mar 31, 2017 and 2016

Notice To Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors. They have not been reviewed by the Company's auditors. The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of management. These condensed interim consolidated financial statements are presented on the accrual basis of accounting and accordingly, a precise determination of many assets and liabilities is dependent upon future events. Where necessary, management has made informed judgments and estimates in accounting for these assets and liabilities and for transactions which were not complete at the end of the reporting period. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these unaudited condensed interim consolidated financial statements have been fairly presented.

LeoNovus Inc.
(Amended)
March 31, 2017 and 2016

Table of contents

LeoNovus Inc.

(Amended)

Unaudited interim condensed consolidated Statement of
net loss and comprehensive loss
for the three month period ended Mar 31, 2017 and 2016

(in thousands of U.S. dollars)	**March 31, 2017**	March 31, 2016
	$	$
Revenue		
Cloud services	**-**	-
Related party services (Note 5)	**-**	-
	-	-
Expenses		
General and administrative (Notes 6, 8, 12)	**138**	278
Research and development	**184**	173
Sales and marketing	**69**	3
	391	454
Loss from operations	**(391)**	(454)
Foreign exchange loss	**(11)**	(53)
Finance and interest income (expense)	**(19)**	(12)
Change in fair value of outstanding warrants (Note 4)	**(100)**	-
Net loss	**(521)**	(519)
Other Comprehensive Income		
Foreign Currency Translation difference	**4**	-
Total Comprehensive Loss	**(517)**	(531)
Loss per share - basic and diluted (Note 4)	**$0.00**	**$0.00**
Weighted average number of outstanding shares (Note 10)	**151,707,437**	**130,061,914**

The accompanying notes are an integral part of these consolidated interim financial statements.

LeoNovus Inc.

(Amended)
unaudited interim condensed consolidated statements of financial position
as at Mar 31, 2017 and December 31, 2016

(in thousands of U.S. dollars)

	March 31, 2017	December 31, 2016
	$	$
Assets		
Current assets		
Cash	**477**	88
Prepaid assets and inventories (Note 6)	**49**	28
Other receivables	**92**	121
	618	237
Property and equipment	**15**	16
	633	253
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Notes 8, 9)	**2,583**	2,666
Current portion of notes and debentures payable (Note 9)	**100**	100
Liability for outstanding warrants (Note 4)	**118**	17
Deferred compensation (Note 9)	**478**	478
	3,279	3,261
Long term portion of notes and debentures payable (Note 6)	**204**	380
	3,483	3,641
Shareholders' deficiency		
Share capital and loans to shareholders (Note 4)	**18,452**	17,983
Contributed surplus (Note 4)	**2,138**	1,552
Accumulated Other Comprehensive Income	**4**	-
Deficit	**(23,444)**	(22,923)
	(2,850)	(3,388)
	633	253

Approved by the Board

(s) Michael Gaffney Director (s) Dan Hilton Director

The accompanying notes are an integral part of these consolidated interim financial statements.

LeoNovus Inc.
(Amended)
Unaudited interim condensed consolidated statements of shareholders' deficiency
for the three-month periods ended Mar 31, 2017 and 2016

(in thousands of U.S. dollars)

	Common shares		Contributed	Accumulated Other Comprehensive		
	Number	Amount	surplus	Income	Deficit	Total
	#	$	$	$	$	$
Balance at December 31, 2015	121,554,914	71,672	1,420		(21,687)	(2,595)
Share-based compensation	-	-	3		-	3
Private placement offering Feb 2016, net of issuance costs (Note 4)	2,852,000	35	-		-	35
Private placement offering Mar 2016, net of issuance costs (Note 4)	5,655,000	88	-		-	88
Net loss	-	-	-		(519)	(519)
Balance at March 31, 2016	**130,061,914**	**71,795**	**1,423**		**(22,206)**	**(2,988)**
Share-based compensation	-	-	14		-	14
Net loss	-	-	-		(276)	(276)
Balance at June 30, 2016	**130,061,914**	**71,795**	**1,437**		**(22,482)**	**(3,250)**
Share-based compensation	-	-	7		-	7
Net loss	-	-	-		(22)	(22)
Balance at June 30, 2016	**130,061,914**	**71,795**	**1,444**		**(22,504)**	**(3,265)**
Balance at December 31, 2016	130,440,770	17,983	1,552		(22,923)	(3,388)
Repayment of debenture February 2017, net of issuance costs (Note 4)	3,000,000	45	58			103
Private placement offering March 2017, net of issuance costs (Note 4)	26,000,000	424	467			- 891
Share-based compensation			61			61
Net loss					(521)	(521)
Forex Gain on translation				**4**		4
Balance at Mar 31, 2017	**159,440,770**	**18,452**	**2,138**	**4**	**(23,444)**	**(2,850)**

The accompanying notes are an integral part of these consolidated interim financial statements

LeoNovus Inc.
(Amended)

Unaudited interim condensed consolidated statements of cash flows
for the Three-month periods ended Mar 31, 2017 and 2016

(in thousands of U.S. dollars)	**March 31, 2017**	March 31, 2016
	$	$
Net (outflow) inflow of cash related to the following activities:		
Operating		
Net Loss	**(521)**	(519)
Non-cash items:		
Depreciation	**1**	**5**
Share-based compensation	**61**	**1**
Warrant valuation impact (Note 4)	**100**	**-**
Changes in non-cash working capital items (Note 11)	**(63)**	**313**
Cash flows (used in) operating activities	**(422)**	**(200)**
Financing		
Issuance of share capital, net of issuance costs (Note 4)	**891**	122
Issuance (repayment) of promissory notes (Note 7)	**(70)**	-
Cash flows from financing activities	821	122
Net cash (outflow)	**399**	(78)
Effects of currency translation on cash and cash equivalents	**(10)**	
Cash, beginning of period	**88**	116
Cash, end of period	**477**	38

The accompanying notes are an integral part of these consolidated interim financial statements

1. Description of business

Company and nature of business

LeoNovus Inc. (the “Company”), a software company, has developed a software-defined storage and Intelligent Network that enables efficient, secure, and high-speed on premise, hybrid or public cloud computing by leveraging advanced storage mediums, identifying and leveraging idle storage in existing hardware systems from PCs, set top boxes (STB), servers and other Internet connected devices.

The Company is incorporated in Canada. The Company’s address is 1400-340 Albert Street, Ottawa, Ontario Canada K1R 0A5. The Company’s wholly-owned subsidiary is LeoNovus USA Inc., and its principal place of business is 1309 Carling Avenue, Ottawa, Ontario Canada K1Z 7L3.

Going concern

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) contemplates the continuation of the Company as a going concern. During the period ended Mar 31, 2017, the Company had not yet achieved commercial operations, had a net loss of $521, had a deficit of $23,444 and a negative working capital of $2,661.

The Company believes that financing initiatives will provide sufficient cash flow for it to continue as a going concern in its present form. However, there can be no assurance that the Company will achieve such results. The financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the Company be unable to continue its operations. The Company’s ability to realize its assets and discharge its liabilities is dependent on its ability to obtain additional financing.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016.

2. Correction interim period errors

Subsequent to the filing of the Mar 31, 2017 interim condensed consolidated financial statements, it was determined that the Company’s functional currency changed on January 1, 2017 and that there were other errors in the previous filed Mar 31, 2017 interim condensed consolidate financial statements. The Mar 31, 2017 unaudited interim condensed consolidated financial statements have been amended to correct these errors and to include additional subsequent events (Note 14). The restatement using the appropriate functional currency and the correction of these errors has not impacted on the statement of financial position as at December 31, 2016 and there has been no impact on net loss and total comprehensive income as at December 31, 2016.

(In thousands of U.S. dollars)

2. *Correction interim period errors (continued)*

The following tables summarize the effect of the restatement on the Company's previously reported interim condensed consolidated statement of financial position:

As at Mar 31, 2017	Note	Previously ($)	Change	Revised ($)
Assets				
Current assets				
Cash		477	-	477
Prepaid assets and inventories		49	-	49
Other receivables		92	-	92
		618	-	618
Property and equipment		15	-	15
		633	-	633
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		2,583	-	2,583
Current portion of notes and debentures payable		100	-	100
Liability for outstanding warrants	2(b)	17	101	118
Deferred compensation		478	-	478
		3,178	101	3,279
Long term portion of notes and debentures payable		204	-	204
		3,382	101	3,483
Shareholders' deficiency				
Share capital and loans to shareholders	2(c)	18,973	(521)	18,452
Contributed surplus	2(c)	1,627	511	2,138
Accumulated Other Comprehensive Income	2(a)	-	4	4
Deficit		(23,349)	(95)	(23,444)
		(2,749)	(101)	(2,850)
		633	-	633

(In thousands of U.S. dollars)

2. Correction interim period errors (continued)

The following tables summarize the effect of the restatement on the Company's previously reported interim condensed consolidated statement of net income (loss) and comprehensive income (loss):

For 3 months period ending Mar 31, 2017	Note	Previously ($)	Change ($)	Revised ($)
Expenses				
General and administrative		138	-	138
Research and development		184	-	184
Sales and marketing		69	-	69
		391	-	391
Loss from operations		(391)	-	(391)
Foreign exchange loss	2(a)	(16)	5	(11)
Finance and interest income (expense)		(19)	-	(19)
Change in fair value of outstanding warrants	2(b)	-	(100)	(100)
Net loss		(426)	(95)	(521)
<u>Other Comprehensive Income</u>				
Foreign Currency Translation difference	2(a)	4	-	4
Total Comprehensive Loss		(422)	(95)	(517)
Loss per share - basic and diluted		$0.00	-	$0.00
Weighted average number of outstanding shares	2(d)	159,440,770	(7,733,333)	151,707,437

(In thousands of U.S. dollars)

2. *Correction interim period errors (continued)*

The following tables summarize the effect of the restatement on the Company's previously reported interim condensed consolidated statement of cash flows:

For 3 months period ending Mar 31, 2017	Notes	Previously ($)	Change	Revised ($)
Net (outflow) inflow of cash related to the following activities:				
Operating				
Net Loss		(426)	(95)	(521)
Non-cash items:				
Depreciation		1	-	1
Share-based compensation	2 (c)	75	(14)	61
Warrant valuation impact (Note 3)	2(b)	-	100	100
Changes in non-cash working capital items (Note 10)	2(a)	(63)	-	(63)
Cash flows (used in) operating activities		(413)	(9)	(422)
Financing				
Issuance of share capital, net of issuance costs (Note 3)	2 (c)	990	(99)	891
Issuance (repayment) of promissory notes (Note 6)	2 (c)	(188)	118	(70)
Cash flows from financing activities		802	19	821
Net cash (outflow)		389	10	399
Effects of currency translation on cash and cash equivalents			(10)	(10)
Cash, beginning of period		88	-	88
Cash, end of period		477	-	477

(a) Change in functional currency

On January 1, 2017, the Company reassessed the functional currency of its parent entity due to the operational changes that occurred as a result of the termination of a U.S. leasehold, the relocation of senior management from the United States to Canada, and a new focus on Canadian customers. Accordingly, the parent entity's Canadian dollar expenditures and funding requirements significantly increased during the first quarter of 2017 because of administrative and research and development expenditures, potential revenue sources in the near term and most operations are now effectively conducted from Canada in Canadian dollars. Considering these factors in the context of assessing the functional currency, this resulted in a change to the currency of the primary economic environment in which the company operates. Therefore, the Company determined that the functional currency of its parent entity changed from US dollars to Canadian dollars as of January 1, 2017 which was applied on a prospective basis with amounts recorded in Other Comprehensive income related to Cumulative Translation Adjustments of $4 for the three months periods ended on Mar 31, 2017.

(b) Revaluation of liability for outstanding warrants

The value of the liability for outstanding warrants was recalculated for the interim period and, based on the various inputs, the values for each issuance had changed from what was initially reported. The liability increased by $101 for the three ended on Mar 31, 2017. The resulting increase in expense due to change in fair value of outstanding warrants was $100.

(c) Reclassification between contributed surplus and common stock and stock option expense within the statement of comprehensive loss classification of stock options

The Company recalculated the employee stock option expense for the interim period and reclassified within shareholders' deficiency common stock which should have been classified as contributed surplus. This resulted in share capital and loans to shareholders decreasing by $521, Contributed Surplus increasing by $511.

(d) Recalculation of weighted average number of outstanding shares

The weighted average number of outstanding shares was recalculated as at Mar 31, 2017 and determined that the previous disclosed amounts was incorrect by 7,733,333 common shares.

3. Significant accounting policies

Statement of compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS using the accounting policies disclosed below.

These unaudited interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on May 29, 2017.

Basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and do not include all of the information and disclosures required for full annual financial statements.

3. Significant accounting policies (continued)

Basis of consolidation

The unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, LeoNovus USA Inc., (a U.S. company). All intercompany balances and revenue and expense transactions have been eliminated.

Functional currency

The functional currency of the company is the Canadian dollar and was US dollar until December 31, 2016.

Presentation Currency

The presentation currency of the Company's consolidated financial statements is the United States dollar ("US$").

Foreign currency translation

Items included in the consolidated financial statements of the company and each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in net loss for the period.

Assets and liabilities of entity with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and the results of their operations are translated at the exchange rates prevailing at the dates of transactions. The resulting translation adjustments are included in accumulated other comprehensive loss in equity.

Critical accounting estimates and judgements

The preparation of interim condensed consolidated financial statements requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

The Company has performed analysis of the functional currency for parent, and noted the majority of operating expenditures were either denominated in the Canadian dollar "CAD" or determined by the Canadian Dollar. Consequently, the Company concluded that the CAD is the currency that mainly influences the cost of services in the Company. On January 1, 2017, the Company reassessed the functional currency of its parent entity due to the changes in circumstances (see Note 3) and the Company determined that the functional currency of its parent entity changed from US dollars to Canadian dollars as of January 1, 2017. In determining the functional currency of the parent entity management applies significant judgment and considered the primary and secondary indicators to determine the functional currency.

Estimation uncertainty

Critical accounting policies and estimates utilized in the normal course of preparing the Company's unaudited interim condensed consolidated financial statements require the determination of future cash flows utilized in assessing net recoverable amounts and net realizable values; useful lives of property, equipment and intangible assets; assumptions used to determine the fair value of warrants and stock options; the valuation of related party receivables; ability to utilize tax losses and estimated realizable investment tax credits; and measurement of deferred taxes. In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis where required.

New IFRS Standards issued but not yet effective

i. *IFRS 9 Financial Instruments ("IFRS 9")*

IFRS 9, was issued by the IASB on July 24, 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

ii. *IFRS 15 Revenue from Contracts with Customers ("IFRS 15")*

IFRS 15 was issued by the IASB on May 28, 2014, and will replace IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue, which is a change from the risk and reward approach under the current standard. companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual period beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 15 on its unaudited interim condensed consolidated financial statements. The company does not believe that the introduction of IFRS 15 will have any material effect on financial reporting.

iii. *IFRS 16 Leases*

In January 2016, the IASB issued a new standard, IFRS 16 Leases which introduces a major revision of the way in which companies account for leases. This becomes effective for reporting periods beginning on or after January 1, 2019. The Company has not yet evaluated the impact of these changes on its consolidated financial statements.

Functional Currency and presentation currency

The Company's presentation currency is US dollars. Up until January 1, 2017, the functional currency of the parent company was US dollars at which point management reassessed the functional currency and determined that Canadian dollars was most appropriate.

In assessing the functional currency, each entity within the Company determines its own functional currency, and the items included in the financial statements of each entity are measured using that functional currency. The functional currency determination involves certain judgments in evaluating the primary economic environment, and the Company reconsiders the functional currencies of each entity if there is a change in the underlying transactions, events and conditions which determine the primary economic environment.

On January 1, 2017, the Company reassessed the functional currency of its parent entity due to the operational changes that occurred as a result of the material completion of the move of the company US operations to Canada. The parent entity's Canadian dollar expenditures and funding requirements are expected to significantly increase because management, research and development, and significant operations are now effectively conducted from Canada. Furthermore, potential revenue sources in the near term and ongoing operational costs are also expected to be in Canadian dollars. In considering these factors in the context of assessing the functional currency, this resulted in a change to the currency of the primary economic environment in which the company operates. Accordingly, the Company determined that the functional currency of its parent entity changed from US dollars to Canadian dollars as of January 1, 2017 which was applied on a prospective basis.

4. Share capital

The Company has an unlimited number of no-par common shares authorized for issuance with shares 159,440,770 outstanding (excluding 1,317,744 shares issued under the loan arrangement described in Note 5 that are not considered outstanding) as at March 31, 2017 (December 31, 2016 -130,440,770).

4. Share capital (continued)

2016

On February 19, 2016, the Company completed a non-brokered private placement offering of 2,852,000 common shares at CAD 0.05 for gross proceeds of $103 (CAD $143). 1,426,000 warrants were issued with the units and each warrant is exercisable for one common share at CAD 0.10 per share for a period of eighteen months from the date of issuance. The common shares and warrants are subject to a four (4) month and one (1) day hold period from the date of issuance. The Company incurred share issue cost of $18 (CAD $25) and has allocated $17 (CAD $24) to share issue costs and $1 (CAD $2) to financing expenses. These costs have been allocated proportionally based on the fair value of the common shares and warrants issued.

On March 18, 2016, the Company completed a non-brokered private placement offering of 5,655,000 common shares at $0.05 for gross proceeds of $206 (CAD $283). 2,827,500 warrants were issued with the unit and each warrant is exercisable for on common share at CAD 0.10 per share for a period of eighteen months from the date of issuance. The common shares and warrants are subject to a four (4) month and (1) day hold period from the date of issuance. The Company incurred share issue cost of $37 (CAD $49) and has allocated $34 (CAD $45) to share issue costs and $3 (CAD 4) to financing expenses. These costs have been allocated proportionally based on the fair value of the common shares and warrants issued. The Common Shares and Warrants are subject to a four (4) month and one (1) day hold period from the date of issuance.

2017

On February 09, 2017, the Company repaid a Secured Promissory Note valued at $114 (CAD 150) through issuance of 3,000,000 common shares at $0.05. 3,000,000 warrants were issued with the units and each warrant is exercisable for one common share at CAD 0.05 for twelve (12) months from the date of issuance, and at CAD 0.10 for the thirteenth (13^{th}) month to the twenty-fourth (24^{th}) month from the date of issuance. The 3,000,000 common shares issued were valued at $57 and the Company incurred share issue cost of $11.

On March 10, 2017, the Company completed a non-brokered private placement offering of 26,000,000 units (each unit comprising one common share at $0.05 and one 24 month warrant exercisable at $0.10) for net proceeds of $891 (CAD $1,180). Each unit is subject to a four month hold. The 26,000,000 common shares issued were valued at $970 and the Company incurred cash share issue cost of $79 and broker warrants with a fair value of $26 (CAD $35). share issue cost of $105 (CAD $141)

(In thousands of U.S. dollars)

4. Share capital (continued)

Stock options - Plan

The Board of Directors of the Company has approved and implemented a stock option plan (the "Plan"). Pursuant to the Plan, the board may from time to time at its discretion, and in accordance with regulatory requirements, grant non-transferable options to purchase shares to directors, officers, employees and consultants of the Company, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of the grant. Pursuant to the Plan, the maximum number of common shares reserved for issuance in any twelve-month period to any one employee other than a consultant may not exceed 5% of the issued and outstanding common shares at the date of the grant.

	Stock options	Weighted Average exercise price in CAD
		$
Outstanding, at December 31, 2015	8,104,243	0.28
Granted	-	-
Forfeited	(1,728,106)	0.31
Exercised	-	-
Outstanding, at Mar 31, 2016	6,376,137	0.28

	Stock options	Weighted average exercise price in $CAD
		$
Outstanding, at December 31, 2016	10,521,000	0.09
Granted	5,100,000	0.05
Forfeited	(685,000)	0.21
Exercised	-	-
Outstanding, at March 31, 2017	14,936,000	0.07

2017

The Board of Directors approved grants of 4,500,000 options to directors in January 2017 with an exercise price of $0.05, of which 3,500,000 vested immediately and remaining 1,000,000 having vesting period of 4 years The five-year options were valued at $63(CAD $84) using the Black-Scholes option-pricing model with the following assumptions: five-year life; weighted average interest rate of 1.45%; weighted average volatility of 64%; and no dividends. The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time.

(In thousands of U.S. dollars)

The Board of Directors approved grants of 600,000 options to marketing consultants in February 2017 at an exercise price of $0.06, with vesting period of 4 years The five-year options were valued at $12 (CAD $16) using the Black-Scholes option-pricing model with the following assumptions: five-year life; weighted average interest rate of 1%; weighted average volatility of 64%; and no dividends. The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time.

2016

The Board of Directors approved grants of 1,750,000 options to employees in October 2016 at an exercise price of CDN $0.05 , with vesting period of 3 years. The four-year options were valued at $ 20 using the Black-Scholes option-pricing model with the following assumptions: four-year life; weighted average interest rate of 1.03%; weighted average volatility of 58.87%; and no dividends. The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time.

The Board of Directors approved grants of 5,766,000 options to employees and directors in December 2016 at an exercise price of CDN $0.05. The options vested immediately and were valued at $113 using the Black-Scholes option-pricing model with the following assumptions: five year life; weighted average interest rate of 1.45%; weighted average volatility of 63.81%; and no dividends. The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time

The following table summarizes the options outstanding and exercisable as at March 31, 2017:

	Options outstanding		Options exercisable	
Exercise price in $CAD	Number	Weighted average remaining contractual life (years)	Number	Weighted average remaining contractual life (years)
0.00 - 0.10	13,831,000	4.05	10,373,157	4.01
0.11 - 0.20	455,000	0.04	434,757	0.05
0.21 - 0.30	340,000	0.04	264,681	0.05
0.31 - 0.40	310,000	0.05	231,754	0.05
	14,936,000	**4.18**	**11,304,349**	**4.17**

The weighted average stock option life is 4.18 years. The vested stock options at March 31, 2017 were 11,304,349 (December 31, 2016 – 7,893,614).

4. Share capital (continued)

Common stock warrants - Private placement

In conjunction with the January 2014 non-brokered private placement, 9,700,000 warrants were issued and classified as liabilities under IAS 32. Due to a four-month trading restriction on these warrants at the time of issuance, the fair value of these warrants was initially calculated at $860 using a modified Monte Carlo computation. These non-brokered warrants were not exercised and through December 31, 2016 all of the warrants have expired and have the value $NIL.

In conjunction with the February 2016 non-brokered private placement, 1,426,000 warrants were issued and classified as liabilities under IAS 32. Each warrant is exercisable for one common share at CAD 0.10 per share for a period of one-and-a-half-year. The fair value of these warrants was calculated at $6 using a Black-Scholes computation with the following assumptions: one-and-a-half-year life; CAD 0.04 share price, 80.77% volatility; 0.94% risk free rate, and no dividend yield. As per IAS 39, The accounting treatment of these warrants will not change as a result of the change of functional currency on January 1, 2017. The calculated fair value at Mar 31, 2017 was $7 (Dec 31,2016 $2).

In conjunction with the March 2016 non-brokered private placement, 2,827,500 warrants were issued and classified as liabilities under IAS 32. Each warrant is exercisable for one common share at CAD 0.10 per share for a period of one-and-a-half-year. The fair value of these warrants was calculated at $19 using a Black-Scholes computation with the following assumptions: one-and-a-half-year life; CAD 0.05 share price, 79.86% volatility; 1% risk free rate, and no dividend yield. As per IAS 39, The accounting treatment of these warrants will not change as a result of the change of functional currency on January 1, 2017. The calculated fair value at June 30, 2017 was $16 (Dec 31,2016 $6).

On February 09, 2017, the Company fully paid a Secured Promissory Note by issuance of 3,000,000 common shares at $0.05 in repayment of a Note of $114 (CAD 150) and the issuance of 3,000,000 warrants exercisable for one common share at CAD 0.05 for twelve (12) months from the date of issuance, and at CAD 0.10 for the thirteenth (13^{th}) month to the twenty-fourth (24^{th}) month from the date of issuance. The fair value of these warrants was calculated at $58 (CAD $76) using a Black-Scholes computation with the following assumptions: 2-year life; CAD 0.07 share price, 64% volatility; 1% risk free rate, and no dividend yield. These warrants are accounted for as an equity.

In conjunction with the March 10, 2017 non-brokered private placement, 26,000,000 warrants were issued. Each warrant is exercisable for one common share at CAD 0.10 per share for a period of twenty-four (24) months from the date of issuance. The common shares and warrants are subject to a four (4) month and (1) day hold period from the date of issuance. The fair value of these warrants was calculated at $441 (CAD $590) using a Black-Scholes computation with the following assumptions: 2-year life; CAD 0.08 share price, 64% volatility; 1% risk free rate, and no dividend yield. These warrants are accounted for as an equity.

(In thousands of U.S. dollars)

Common stock warrants - Broker finder fee

In conjunction with the February 2016 non-brokered private placement, 185,380 broker's warrants were issued. Each warrant is exercisable for one common share at CAD $0.10 per share for a period of one-and-a-half-year. The fair value of these warrants was calculated at $1 using a Black-Scholes computation with the following assumptions: one-and-a-half-year life; CAD $0.04 stock price, 80.77% volatility; 0.94% risk free rate, and no dividend yield. The fair value of the warrants was allocated to share issue costs.

In conjunction with the March 2016 non-brokered private placement, 367,575 broker's warrants were issued. Each warrant is exercisable for one common share at CAD $0.10 per share for a period of one-and-a-half-year. The fair value of these warrants was calculated at $3 using a modified Black-Scholes computation with the following assumptions: one-and-a-half-year life; CAD $0.05 stock price, 79.86% volatility; 1% risk free rate, and no dividend yield. The fair value of the warrants was allocated to share issue costs.

In conjunction with the March 10, 2017 non-brokered private placement, 1,560,000 broker's warrants were issued. Each warrant is exercisable for one common share at CAD 0.10 per share for a period of twenty-four (24) months from the date of issuance. The common shares and warrants are subject to a four (4) month and (1) day hold period from the date of issuance. The fair value of these warrants was calculated at $26 (CAD $35) using a Black-Scholes computation with the following assumptions: 2-year life; CAD $0.08 share price, 64 volatility; 1% risk free rate, and no dividend yield. The fair value of the warrants was allocated to share issue costs

Warrant continuity schedule

As at March 31, 2017 and December 31, 2016, the Company has the following warrants with average exercise prices and expiry dates outstanding:

	Number of whole share warrants	Average exercise in CAD	Expiry date
Balance, December 31, 2015	**14,700,000**	**0.40**	**-**
Issued pursuant to private placement (Note 9)	1,611,380	0.10	19-Aug-17
Issued pursuant to private placement (Note 9)	3,195,075	0.10	21-Sep-17
Expired	(9,700,000)	0.40	-
Balance, December 31, 2016	**9,806,455**	**0.09**	**-**
Issued pursuant to payment of Promissory Note (Note 9)	3,000,000	0.05-0.10	09-Feb-19
Issued pursuant to private placement (Note 9)	27,560,000	0.10	10-Mar-19
Expired	-		-
Balance, March 31, 2017	**40,366,455**	**0.09**	**-**

5. Related party transactions

In October 2013, a Director and a shareholder of the Company were provided loans totaling $271 to finance the exercise of 1,317,744 warrants to purchase common shares of the Company ("Share Purchase Loans"). The Share Purchase Loans matured in October 2016. At December 31, 2016 the Company determined that the remaining Share Purchase Loans were impaired. The 1,317,744 common shares acquired under the loans are pledged as security against the Share Purchase Loans and are held as security by the Company. Thus, the loans have been written down to $39, which is the fair value of the commons shares as at December 31, 2016. The impairment has resulted in a write-down of the loan of $232. As at June 30, 2017 the loan was revalued based on the underlying security to $79, which has resulted in a write-up of $40 during the 3 month period ended Mar 31, 2017.

6. Prepaid assets and inventories

The Company has taken a full provision against total inventory which is valued at $Nil (2016 - $Nil).

7. Notes and debentures payable

In February 2015, the Company entered into two promissory notes in the amount of $50 each for a total of $100. The notes bear interest at a rate of 18% per annum and mature in May 2015 and are secured by specific assets of the Company. In May and June 2015, the Company amended the notes by extending the due date until July 25, 2015. In August 2015, the Company amended the notes by extending the due date until November 30, 2015. In October 2016, the Company amended the notes by extending the due date to September 30, 2017. These amendments have been accounted for as debt modifications

In September 2015, the Company entered into a secured debenture whose principal amount is CAD$300. The debenture bears interest at a rate of 9% per annum and has a maturity date in September 2018. Attached to the debenture is 3,000,000 warrants which have a 3-year life and a price of $0.10 per common share. Because of the warrants, the

debenture and warrants were valued under IAS 39 using the residual method resulting in a fair value of $182 for the debenture and $43 for the warrants.

In December 2015, the Company entered into a secured debenture whose principal amount is CAD 100. The debenture bore an interest at a rate of 9% per annum and had a maturity date in December 2017. Attached to the debenture are 2,000,000 warrants, which have a two-year life and an exercise price of CAD 0.05 per common share. Because of the warrants, the debenture and warrants were valued under IAS 39 using the residual method resulting in a fair value of $60 for the debenture and $9 for the warrants. In February 2017, the Company paid CAD 100 in satisfaction of the principal of the debenture. The value of the warrants remains as a Liability for outstanding warrants until they expire.

On June 7, 2016, the Company completed a Secured Promissory Note for gross proceeds of CAD 150 bearing interest at 9% per annum, and maturing on December 7, 2018. The Promissory Note is secured by all of the present and after-acquired property of the

(In thousands of U.S. dollars)

Corporation. In February 2017, the Company issued 3,000,000 common shares at $0.05 and 3,000,000 warrants (each warrant is exercisable for one common share at CAD 0.05 for twelve (12) months from the date of issuance, and at CAD 0.10 for the thirteenth (13th) month to the twenty-fourth (24th) month from the date of issuance) in repayment of this Secured Promissory Note of $113 (CAD 150).

The current portion and long term portion of the notes and debentures are as follows:

	March 31, **2017**	December 31, 2016
	$	$
Current portion	**100**	100
Long term portion	**204**	380
	304	480

8. Commitments and contingencies

The Company leases space in the United States under an operating lease, which expires in 2017. The premises were vacated in February 2016. The value of the lease of $295 is included in accounts payable and accrued liabilities. The Company is in the process of litigation with respect to the duration of term of the lease.

A third-party management, marketing and business development consulting team was contracted to provide services to LeoNovus in 2015. One of the terms of the agreement between the Company and the third-party consulting team grants that team a form of compensation for their contribution to the success of a transaction with the Company. Specifically, the consultant is entitled to receive 15% of the gross proceeds on any disposal event (e.g. acquisition) of the Company to a third party if the event occurs prior to August 2018, and 10% of the gross proceeds if the disposal event occurs between September 2018 and August 2020. Beyond August 2020, the term will have expired and the consultant receives no compensation from the disposal event.

9. Financial instruments

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and foreign exchange rate risk). The Company’s management team carries out risk management with guidance from the Audit Committee under the direction of the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of loss associated with counterparty’s inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, due from related parties and other receivables. The Company's maximum credit risk at March 31, 2017 is $569 (2016 - $141). Of that total, $Nil is aged in excess of 60 days.

Note receivable from related party of $271 is overdue and is considered to be impaired. In 2016 the overdue balance has been written down to $39, which is the fair value of the common shares acquired security.

(In thousands of U.S. dollars)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2017, the Company had cash of $477 (December 31, 2011 - $88) and accounts payable and accrued liabilities of $2,583 (December 31, 2016 - $2,666). It is expected that the current fundraising efforts of the Company will allow payment of these liabilities provided the Company successfully negotiates a write-down of certain liabilities.

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as at March 31, 2017.

The amounts presented in the above maturity analysis represent the undiscounted future cash flows and as a result, they may differ from the net book value.

	Future value	**2017**	**2018**	**2019 and after**
	$	$	$	
Accounts payable and accrued liabilities	2,583	2,583	-	-
Deferred compensation	478	478	-	-
Debentures and notes payable	304	100	204	-
Total financial liabilities	3,365	3,161	204	-

10. Basic and diluted loss per share

Basic loss per common share is calculated by dividing the net loss by the weighted-average number of common shares outstanding during the period. The determination of the weighted-average number of shares outstanding for the calculation of the diluted loss per share does not include the effect of outstanding agent options and stock options since they are anti-dilutive.

	March 31, 2017	December 31, 2016
Options (Note 3)	**14,936,000**	10,521,000
Warrants (Note 3)	**40,366,455**	9,806,455
	55,302,455	20,327,455

11. Additional information to the unaudited interim condensed consolidated statement of cash flows

Changes in non-cash working capital items:

(In thousands of U.S. dollars)

	March 31, 2017	March 31, 2016
	$	$
Collection of notes receivable from related parties	-	47
Prepaid assets and inventories	(21)	(10)
Other receivables	29	(20)
Accounts payable and accrued liabilities	(83)	133
Promissory notes revaluation and accretion	12	20
Liability for outstanding warrants	-	143
	(63)	313

12. Segmented information

The Company operates in one operating segment, developing and deploying a leading software-defined object storage solution with governance, risk management and compliance capabilities for the modern enterprise. The Company has not yet reached commercial operations.

The Company's property and equipment are held in:

	March 31, 2017	December 31, 2016
	$	$
U.S.	-	8
Canada	15	27
	15	35

13. Correction of an error

The consolidated financial statements have been amended to correct an error and to include additional subsequent events. The error in the consolidated financial statements related to the application of the wrong functional currency for the parent company. As disclosed in Note 3, the functional currency was reassessed for the parent Company and was determined by management to be Canadian dollars and not Us dollars, as previously reported. The liability of outstanding warrants were corrected for their value on Mar 31,2017 to be $118, resulting in an increase in loss due to change in fair value of outstanding warrants of $100.

14. Subsequent Event

On September 21, 2017 the Company closed a $1,215,658 (CAD1,500,000) financing by way of a non-brokered private placement for 30,000,000 units of the Company at a price of $0.04 (CDN $0.05) per Unit. Each unit is one common share in the capital of the Company and one common share purchase warrant. Each warrant is exercisable into one common share at a price of $0.06 (CAD 0.075) per common share for eighteen (18) months from the closing date of the Offering. In connection with the Offering, the Company paid cash finder's fees of seven percent (7%) of the principal amount of units issued and has issue broker warrants in an amount of seven (7%) of the number of units issued, exercisable at $0.06 (CAD 0.075) per Common Share for a period of eighteen (18) months from the closing date of the Offering.

On November 1, 2017 the company signed a bought deal with the underwriter to purchase for resale of an aggregate of 24,000,000 units in the capital of the Company at a price of $0.39 (CAD 0.50) per unit for aggregate proceed of $9,313,155 (CAD 12,000,000). Each unit will be comprised of one common share of the Company (a "Unit Share") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each warrant will entitle the holder thereof to purchase one common share of the Company at a price of CAD 0.65 for a period of 24 months following the Closing Date. In connection with the bought deal, the Company will pay underwriter commission of six percent (6%) of the principal amount of units issued and will issue broker warrants in an amount of six percent (6%) of the number of Units issued. Each warrant is exercisable into one unit at price of $0.39 (CAD 0.50) per unit for a period of twenty four (24) months from the closing date of the Offering.

The Board of Directors approved grants of 750,000 options to third party consultants in July 2017 at an exercise price of CAD 0.065, with 187,500 vesting immediately, 187,500 vesting 3 months from date of agreement, 187,500 vesting 6 months from the date of agreement, and 187,500 vesting 12 months from the date of agreement. The option has an expected life of 24 months from the date of agreement.

Post June 30, 2017 16,891,500 warrants have been exercised and converted in to common share.

On November 1, 2017, the company reached an agreement with third party management, marketing and business development consulting team, to buy its rights in LeoNovus gross sale proceeds. LeoNovus paid the third party CAD $275,000 for a full an final release from the consulting services agreement dated August 18, 2015 and the undated Description of Services Budget and the third party letter dated as of September 20, 2015, which removed the right of the third party to receive ten percent of the gross proceeds from the sale of LeoNovus should it occur before August 18, 2020.

On November 2, 2017, the Company reached a settlement agreement with Landlord in US, regarding the outstanding office lease debt for the Company's offices in San Jose California. Landlord has accepted $65,000 as a full and final payment of the debt, which was $269,166.